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Message Text

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ACTION STR-07

INFO OCT-01 EA-10 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10
INT-05 L-03 LAB-04 NSAE-00 PA-01 CTME-00 AID-05
SS-15 ITC-01 TRSE-00 SP-02 SOE-02 OMB-01 DOE-15
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EUR-12 NEA-10 OIC-02 /152 W
----------059453 181539Z /45
O 181454Z APR 78
FM USMISSION GENEVA
TO SECSTATE WASHDC IMMEDIATE 8527
INFO AMEMBASSY CANBERRA

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ACTION STR PASS ELECTRICALLY
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PASS AGRICULTURE FOR HUDSON

E.O.11652:N/A
TAGS: MTN, ETRD, AS
SUBJECT: MTN: AMB. MCDONALD'S DISCUSSION WITH AUSTRALIAN AMB. FOGARTY ON AGRICULTURAL EXPORT SUBSIDIES

REF: GENEVA 5679

1. AMB. FOGARTY VISITED BRIEFLY WITH AMB. MCDONALD ON APRIL 14 TO ELABORATE UPON THE PAPER ON EXPORT SUBSIDIES HANDED TO AMB. STRAUSS BY MINISTER GARLAND ON APRIL 10 (SEE REFTEL). FOGARTY DESCRIBED THE PROPOSAL AS DEPENDING IN LARGE MEASURE ON CONCEPTS AND LANGUAGE DRAWN FROM GATT ARTICLE XVI, WHICH AUSTRALIA HOPES WILL MAKE THE PROPOSAL LESS OBJECTIONABLE TO THE EC. ALSO IN RECOGNITION OF THE PRESENT STATE-OF-PLAY IN THE TALKS, THE PROPOSAL
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WAS DRAFTED TO ESTABLISH OBLIGATIONS COMPLEMENTARY TO, AND NOT OVERLAPPING, DISCIPLINES ON SUBSIDIZATION INCORPORATED IN MULTILATERAL COMMODITY AGREEMENTS. FOGARTY CITED ARTICLE 64 OF THE INTERNATIONAL SUGAR AGREEMENT AS A GOOD EXAMPLE OF OBLIGATIONS ON A SPECIFIC COMMODITY THAT FIT WELL WITH THE AUSTRALIANS' GENERAL CODE-OF-CONDUCT.

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2. FOGARTY DREW PARTICULAR ATTENTION TO THE INCLUSION OF AN "INDIVIDUAL COUNTRY MARKET" TEST IN RELATION TO EQUITABLE MARKET SHARES, ACKNOWLEDGING THAT THIS WAS A SIGNIFICANT DEPARTURE FROM EXISTING ARTICLE XVI. (COMMENT: HE CHOSE NOT TO MENTION, OR WAS NOT AWARE THAT A SIMILAR PROPOSAL HAD BEEN PUT FORWARD BY AUSTRALIA IN THE CONTEXT OF THE 1955 WORKING PARTY ON SUBSIDIES. END COMMENT.) MCDONALD NOTED GUNDELACH'S STATED UNEASINESS WITH THIS CONCEPT, AND THE LATTER'S ALLUSION TO "NATURAL MARKET AREAS" AS A POSSIBLE SUBSTITUTE FOR THE COUNTRY MARKET CRITERIA.

3. MCDONALD ASSURED FOGARTY WASHINGTON WAS GIVING THE AUSTRALIAN PROPOSAL CAREFUL ATTENTION. HE TOLD FOGARTY THE PROPOSAL HAD BEEN FORWARDED TO OUR DEPARTMENT OF AGRICULTURE IMMEDIATELY FOLLOWING THE STRAUSS-GARLAND MEETING. MCDONALD PROMISED HE WOULD CONTACT FOGARTY AS SOON AS WE HAD RECEIVED WASHINGTON'S EVALUATION.

4. MCDONALD ASKED FOGARTY TO EXPAND UPON WHAT TEESE HAD SAID AT THE APRIL 10 MEETING CONCERNING AUSTRALIAN FEARS RE A MEAT ARRANGEMENT. FOGARTY EXPLAINED THAT AUSTRALIA STILL SAW THE NEED FOR TWO PARALLEL NEGOTIATING TRACKS IN THE AGRICULTURAL AREA: ONE WAS THE NEGOTIATION OF MULTI-LATERAL ARRANGEMENTS; THE SECOND, THE NEGOTIATION BY REQUEST/OFFER OF MORE FAVORABLE ACCESS COMMITMENTS. THE LIMITED OFFICIAL USE

AUSTRALIANS WANT THE SPECIFIC ACCESS COMMITMENTS TO BE IMPLICITLY DEFENDED BY THE OPERATION OF THE ARRANGEMENTS, I.E., THE ARRANGEMENTS SHOULD ENABLE IMPORTERS AND EXPORTERS TO CONSULT FREQUENTLY ON SUPPLY AND DEMAND OUT-LOOK SO THAT ACTIONS MIGHT BE TAKEN BY BOTH REPEAT BOTH PARTIES TO ELIMINATE THE NEED FOR PROTECTIVE ACTIONS SUCH AS THE COMMUNITY MEASURES ON MEAT OF 1974, BUT THEY DO NOT WANT THE HARD-WON ACCESS COMMITMENTS SUBJECT TO (SAFEGUARD) ACTION TAKEN UNDER THE COVER OF A MULTILATERAL ARRANGEMENT AND THEREFORE OUTSIDE THE TIGHTER RULES OF A SAFEGUARD CODE OR ARTICLE XIX.

5. FOGARTY MENTIONED THAT THEIR MEETING EARLIER IN THE WEEK WITH THE EC DID NOTHING TO ALLAY THE AUSTRALIAN FEARS CONCERNING EC INTENTIONS FOR MEAT ARRANGEMENT. THE COMMUNITY HAD DEMANDED IN HARSH TERMS THAT ACCESS COMMIT-MENTS NEGOTIATED BY AUSTRALIA MUST BE SUBJECT TO "CONCERTED DISCIPLINES," AS PROVIDED FOR IN THE ARRANGE-MENTS. FOGARTY WONDERED IF WE KNEW ANY BETTER THAN HE DID WHAT THE COMMUNITY MEANT BY THE PHRASE "CONCERTED DISCIPLINES." THE AUSTRALIANS INTERPRET IT AS A STANDING OBLIGATION FOR EXPORTERS TO "VOLUNTARILY" FOREGO THE

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BENEFITS OF THEIR ACCESS COMMITMENTS WITH NO COST TO IMPORTERS IN THE FORM OF EITHER COMPENSATION OR DOMESTIC ADJUSTMENT MEASURES. MCDONALD STATED THAT THE COMMUNITY STILL OWED US A PAPER EXPLAINING WHAT THEY MEANT BY THIS TERM, AND WE SHOULD BOTH WAIT AND SEE WHAT THEY WOULD SAY IN WRITING.

6. FULL TEXT OF FOGARTY LETTER ATTACHED TO COPY OF AUSTRALIAN PROPOSAL GIVEN TO MCDONALD FOLLOWS:
BEGIN TEXT: THE PURPOSE OF THIS LETTER IS TO FOLLOW UP THE DISCUSSIONS HELD ON MONDAY DURING WHICH MR. GARLAND HANDED MR. STRAUSS A PAPER SETTING OUT THE OUTLINES OF A PROPOSED CODE OF CONDUCT ON EXPORT SUBSIDIES ON PRIMARY PRODUCTS.

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THE DISRUPTION TO WORLD AGRICULTURAL MARKETS CAUSED BY THE EXPORT OF SUBSIDIZED SURPLUSES AND ACCORDINGLY IT ATTACHES PARTICULAR IMPORTANCE TO SECURING FROM THE MTN EFFECTIVE INTERNATIONAL DISCIPLINES CONCERNING THEIR USE.

YOU WILL BE AWARE THAT THIS ISSUE WAS DISCUSSED IN SOME DETAIL WITH MR. WOLFF DURING HIS RECENT VISIT TO AUSTRALIA. AT THE CONCLUSION OF HIS OFFICIAL DISCUSSIONS WITH THE PRIME MINISTER, DEPUTY PRIME MINISTER AND MINISTER FOR SPECIAL TRADE REPRESENTATIONS, A JOINT STATEMENT WAS RELEASED WHICH SAID IN PART:

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'BOTH SIDES AGREED TO CONTINUE DISCUSSIONS IN GENEVA TD REACH EARLY AGREEMENT ON ISSUES OF COMMON CONCERN, BOTH WITH RESPECT TO THEIR PARTICULAR PRODUCT INTERESTS AND WITH RESPECT TO GENERAL CODES OF CONDUCT IN INTERNATIONAL TRADE, INCLUDINGTHOSE GOVERNING SAFEGUARDS, SUBSIDIES AND OFFSETTING MEASURES, AND IMPROVEMENTS IN THE
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INTERNATIONAL TRADING FRAMEWORK. IN PARTICULAR BOTH SIDES UNDERTOOK TO WORK CLOSELY TOGETHER IN THE GENEVA NEGOTIATIONS TO DEVISE EFFECTIVE DISCIPLINES UPON THE EXPORT OF SUBSIDIZED PRODUCTS TO TRADITIONAL MARKETS.'

THE PAPER HANDED TO MR. STRAUSS ON MONDAY ARISES DIRECTLY OUT OF THE DISCUSSIONS WITH MR. WOLFF IN CANBERRA AND HAS BEEN CONSIDERED AT THE HIGHEST LEVEL IN THE AUSTRALIAN GOVERNMENT.

YOU WILL OBSERVE THAT THE PROPOSAL IS BASED LARGELY ON A RESTATEMENT OF EXISTING GATT PROVISIONS RELATING TO SUBSIDIES ON PRIMARY PRODUCTS. NATURALLY, WE WOULD PREFER TO SEE THE INTRODUCTION OF MUCH MORE EFFECTIVE GENERAL SUBSIDIES CONSTRAINTS BUT WE ARE CONSCIOUS OF THE FACT THAT THE EEC IS UNWILLING TO ACCEPT PROPOSALS WHICH WOULD RADICALLY MODIFY EXISTING GATT OBLIGATIONS. ESSENTIALLY WHAT IS NEW IN THE PROPOSAL IS ITS CONCEPT OF INSTITU-TIONALIZING AN ON-GOING EXAMINATION AND REVIEW OF SUBSIDIES WITH THE CONSEQUENT PRESSURES THAT WOULD RESULT FROM MULTILATERAL SCRUTINY.

WE DO NOT WISH, AT THIS STAGE, TO PROCEED WITH ANY INITIATIVE IN THIS AREA UNTIL WE HAVE EXPLORED THE ISSUE THOROUGHLY WITH THE UNITED STATES. ACCORDINGLY I WOULD BE GRATEFUL FOR YOUR REACTION TO THE IDEAS CONTAINED IN THE PAPER AND YOUR VIEWS AS TO WHETHER IT MIGHT CONSTITUTE THE BASIS OF POSSIBLE JOINT APPROACH. IN DOING SO I SHOULD STRESS THAT WE WOULD WISH OUR INITIATIVE TO BE KEPT CONFIDENTIAL BETWEEN THE TWO DELEGATIONS AT THIS STAGE.
END TEXT.

7. DRAFTED BY MARSH. CULBERT
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